1969 ANNUAL REPORT

Sub

WALL & REDEKOP CORPORATION LTD.

1969 ANNUAL REPORT

HEAD OFFICE:

1070 West Broadway,
Vancouver 9, British Columbia,
Canada.

TRANSFER AGENT AND REGISTRAR:

Montreal Trust Company,
Vancouver, British Columbia.

The Wall & Redekop Building, completed in 1969, is head office of Wall & Redekop Corporation Ltd. and subsidiaries.

REPORT OF DIRECTORS

DIRECTORS & OFFICERS

Peter Wall, Director, President,
Milner, B.C.

Peter Redekop, Director,
Secretary & Treasurer,
Vancouver
. . . President, Wall &
Redekop Realty

Douglas McK. Brown, Q.C.,
Director, Vancouver
. . . Barrister & Solicitor,
partner Russell &
DuMoulin

Robert H. Lee, Director,
North Vancouver
. . . Realtor

John Redekop, Director,
Clearbrook, B.C.
. . . Farm Manager

FINANCIAL RESULTS

Consolidated net earnings for the year ended July 31, 1969, totalled $866,172, an increase of $256,544 from $609,628 in the previous fiscal year. This is equivalent to 47 cents per average common share outstanding at July 31, 1969.

The corporation, as such, formally came into being in January, 1969, through amalgamation and acquisition of several companies. Figures for prior years, thus have been restated for purposes of comparison.

Gross revenues in the year under review totalled $13,185,146, an increase of $854,910 over the previous year. Operating expenses, including depreciation, totalled $10,910,261. Interest charges on mortgages and redeemable sinking fund debentures totalled $417,233, reflecting the cost of the latter which were successfully sold in April, 1969.

Income taxes paid and payable totalled $743,242 and income taxes deferred totalled $162,912. Earnings retained in the business at July 31, 1969, were $2,058,164 up $866,172 from $1.19 million at July 31, 1968.

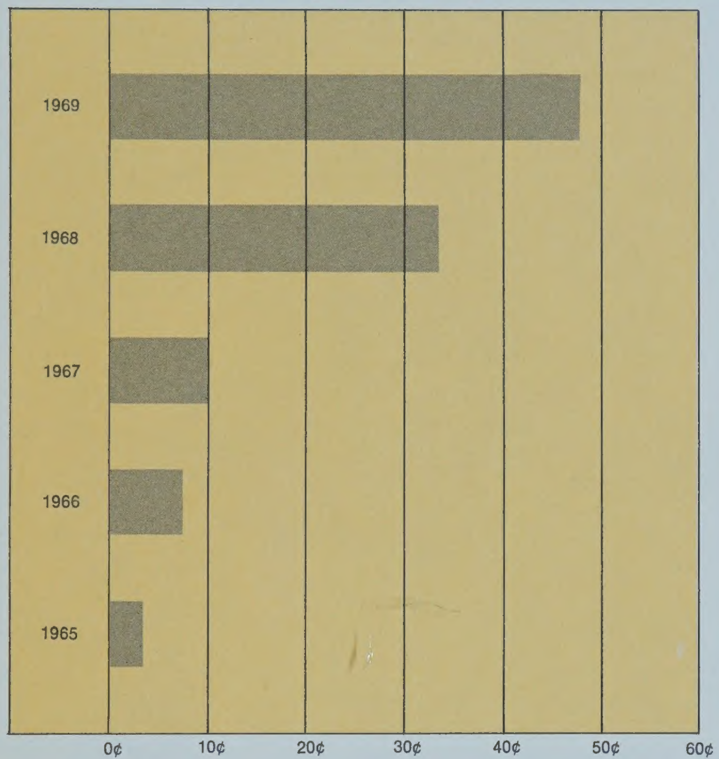
Gross revenues from real estate agency sales showed a 135% increase over the previous year, with the total reaching $1,344,648. Lumber and building products revenues totalled $4,054,312 up 18% from the previous year; farming revenues were $1,750,884 up 50%; and rental revenues were $888,000, a 61% increase. Construction revenues were $5,147,778, down 22% from the previous year, reflecting the Company's decision to retain ownership of apartment blocks built by the Company rather than to sell them and take immediate earnings.

SUBSIDIARY COMPANIES

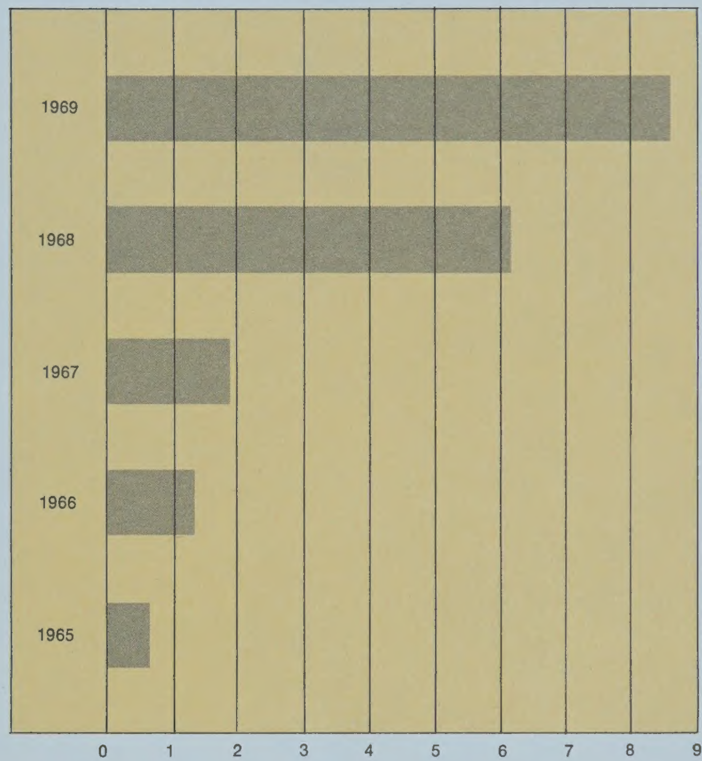
Wall & Redekop Realty Ltd.
Southland Development Ltd.
Cloverdale Lumber & Plywoods Ltd.
Redekop & Wall Apartments
Mt. Lehman Produce Ltd.
Mount Lehman Farms Ltd.
Redekop Bros. Farms Ltd.
Pinecrest Poultry Farms Ltd.

1969 HIGHLIGHTS

NET EARNINGS PER SHARE, BASED ON 1,831,340 SHARES ISSUED



NET EARNINGS (In Hundred Thousands)

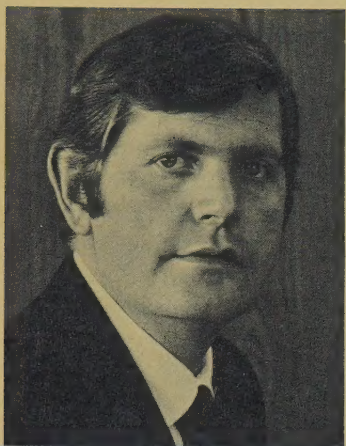


	1969	1968
Operating Revenues	$13,185,146	$12,330,236
Operating Expenses	$10,792,379	$10,732,850
Earnings before taxes	$ 1,772,326	$ 996,290
Net earnings	$ 866,172	$ 609,628
Earnings per average common share outstanding	47¢	33¢
Average common shares outstanding	1,831,340	1,831,340
Shareholders Equity	$ 3,510,757	$ 1,195,204
Retained earnings at July 31	$ 2,058,164	$ 1,191,992
Gross Real Estate Sales (est.)	$50,000,000	$22,916,254
Sales Staff at July 31	150	25
Interest in rental properties (suites)	997	499
Rental properties under management (suites)	1,706	(est.) 1,000

Construction will begin in October, 1969, on a new 185-suite high rise at 15th Street and Esquimalt Avenue, West Vancouver. Building will be owned and managed by your company as rental property.

Garden-type apartment with 113 suites will be built during coming year at Queens and Ash, New Westminster. This also will be owned and managed by your Company.

PRESIDENT'S REPORT



Peter Wall, President,

Profits were increased and the foundation for future earnings growth was firmly built during the year. Ownership of revenue-producing properties also increased as did the Company's holdings of land for further development and for capital appreciation through inflation and demand. Real estate sales were up substantially, as were revenues from rentals and management fees. In the fields of construction, manufacture and sale of building products, lumber sales and poultry farming, meaningful growth was recorded.

With this solid base and with young, intelligent and aggressive management thoroughly experienced in the Company's works, we can look forward to a prosperous future in British Columbia, where stable government, rapidly-increasing population and general economic growth at about double the rate of Canada as a whole assure economic opportunity.

In the face of high interest rates, inflation and a general shortage of funds in the money market, the consolidated net earnings of the Company increased by about 45% from the profit level of the previous 12 months.

Revenues and profits advanced in all divisions except construction. In the latter, net income decreased as a consequence of management's decision to retain ownership of more of the Company-built apartments. This was done with a view to longer range appreciation of captial values and to augment cash flow, rather than taking short-term earnings from sale of these properties immediately upon completion. A direct result of this decision was an increase in property management revenues.

Construction volume was up, however, and this is apparent in the record development of apartments in 1969 with approximately 1,000 apartment units being built.

Three new real estate sales offices were opened during the year in the highly-populated Lower Mainland area and this contributed to increased volume of sales and revenues.

The Company continues its aggressive program of direct land and property acquisition, maintaining its policy of building free hold. Land is in fixed supply and the amount of usable land is limited by topography in the Metropolitan Vancouver area. This factor together with very rapid economic growth and the ever-increasing demand for property continues to enlarge land values. There is no question that investment in land in Vancouver is a good policy and we are continuing this when practical.

At the same time, the Company is studying seriously new methods of obtaining real estate development funds through bond issues or otherwise. We are certain of success of the new approaches and are assured of further funds in future at costs more advantageous than those attainable through current lenders which seek participation in profits as a condition of mortgage arrangements.

Looking at the year ahead, we see no reason why growth should not continue in all segments of the Company's business, all of which should provide higher profits through which land investment—the root of our business—can be accelerated.

YEAR IN REVIEW

Wall & Redekop Corporation Ltd. formally came into being as such in January, 1969, with the amalgamation of eight companies controlled by Peter Wall, Peter and John Redekop and Robert H. Lee. The corporation subsequently acquired all the outstanding shares of five additional companies and an 80% interest in a partnership, all of which also were controlled by the above interests.

Public participation in the corporation's ownership came in April, 1969 when the corporation offered and sold successfully $1,500,000 in Series "A" 8% Redeemable Sinking Fund Debentures and 300,000 Common Shares.

The corporation and its subsidiaries and operating divisions are engaged in real estate development and sales, land development, property management and rentals, sales of lumber and building supplies, construction and poultry farming.

Operations in all categories were expanded during the latter part of the year under review with opening of three new real estate sales offices in North Vancouver, Surrey and Richmond and the acquisition of two additional companies among the highlights. The acquisitions were Southland Development Ltd., which increased your company's land holdings, and Cloverdale Lumber & Plywoods Ltd. which provides an additional outlet for lumber and building supplies sales.

At the fiscal year-end, your company had six real estate sales offices staffed by more than 150 professional sales people, together with the head office location. Wholesale and retail lumber and building supplies outlets numbered four, including Monocrest Kitchens Division. Poultry farming subsidiaries included three farms and a grading and distribution produce company.

Land held for development totalled 90.53 acres,all of it in British Columbia's populous Lower Mainland region, including the city of Vancouver and surrounding municipalities.

The following identifies the principal activities of the company and the locations of various division operating centres:

REAL ESTATE

— Commercial sales, rentals, property management, land development and construction activities are conducted primarily through head office at 1070 West Broadway, Vancouver.

— Residential real estate sales are conducted through head office and through the following offices:

2443 Kingsway, Vancouver

4473 Lougheed Highway, Burnaby

1729 Lonsdale Avenue, North Vancouver

10670 – 135A Street, Surrey

808 Anderson Road, Richmond

LUMBER & BUILDING SUPPLIES

Monocrest Kitchens Division, 1061 River Road, Richmond
. . . Manufacture of cabinets.

Monroe Lumber Division, 5615 Imperial, Burnaby

Sperling Lumber Division, 840 Sperling, Burnaby

Cloverdale Lumber & Plywoods Ltd., 17848 – 56th Avenue, Surrey
. . . Contractor and retail sales of a full line of building materials and a limited line of hardware.

POULTRY FARMING

Mt. Lehman Produce Ltd., Clearbrook, B.C.
. . . Egg grading, marketing and turkey production.

Mount Lehman Farms Ltd., Clearbrook, B.C.
. . . Poultry raising.

Redekop Bros. Farms Ltd., Clearbrook, B.C.
. . . Egg production.

Pinecrest Poultry Farms Ltd., Clearbrook, B.C.
. . . Egg production.

CONSTRUCTION AND BUILDING SUPPLIES

Construction sales during the year totalled $5,147,778. Revenue from this division declined as a result of the Company's decision to retain ownership of several completed projects and thus enhance future earnings potential.

Ownership of 218 Company-built apartment suites was retained by the Company during the period rather than taking profits through immediate sale. Thus, while gross revenue showed an over-all decline for the year to $5,147,778 from $6,592,000, future increased capital appreciation and cash flow through rentals and property management were assured.

The Company constructs apartment blocks in established high-density population areas of Greater Vancouver. Overhead costs are kept down through the use of few permanent employees and considerable sub-contracting.

During calendar 1969, the division is engaged in a program of building an estimated 1,000 apartment suites, all in the Vancouver area. The calendar 1968 figure was 810 suites. Among the larger projects begun during the year are a 98-suite high-rise in North Vancouver and a 185-suite high-rise in West Vancouver.

Condominiums are a new form of housing in the British Columbia region, and the Company is considering construction of two condominium-type projects. These avenues are being pursued because the cost of the single-family dwelling is beyond the means of the average person and one answer to this problem is condominium ownership.

LAND DEVELOPMENT

During the year, the Company acquired for $100,000 cash and 35,000 common shares, ownership of Southland Development Ltd., which brought additional land holdings to the Company and which provides a base for further expansion in the area of land development.

Planning continued during the year for a luxury townhouse development on the Shannon property in Vancouver. The Company's total land and development costs on this project to date amount to $997,684.

LUMBER AND BUILDING PRODUCTS DIVISION

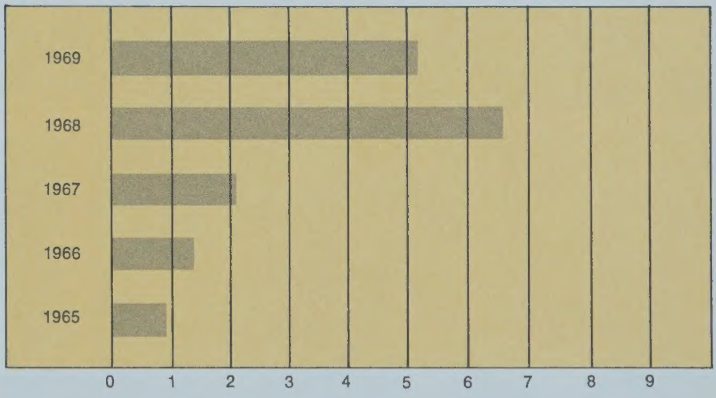
Recent acquisitions and expansion highlighted the growth of the Lumber and Building Products Division.

A third lumber yard, Cloverdale Lumber in Cloverdale, B.C., was added to the division's two yards, Monroe Lumber and Sperling Lumber, both in Burnaby, B.C. All three yards handle building materials and hardware on a contractor and retail basis.

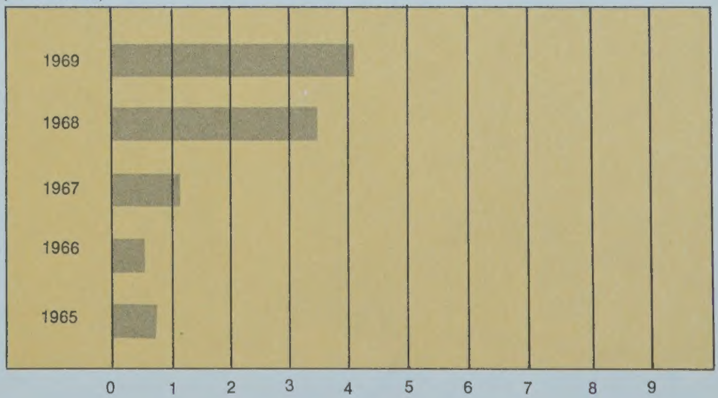
Kitchen and other cabinet manufacturing by the division increased substantially and now totals 2,000 units per month.

Gross revenues from this division increased to $4,054,312 for the year ended July 31, 1969, compared with $3,465,000 in the previous year.

GROSS REVENUES—Construction
(In Millions)



GROSS REVENUES—Lumber
(In Millions)



A training session at Wall & Redekop's Kingsway office for the real estate sales staff.

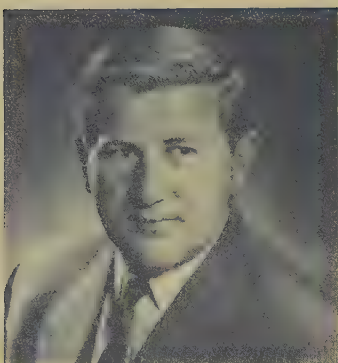
John Brown, Sales Manager at Wall & Redekop Realty's Kingsway office in Vancouver, talks to some of his sales staff in front of the branch's production board.

A weekly conference on property development involving Wall & Redekop's division managers and sales managers.

Another Wall & Redekop development, an apartment block at 2335 West Third Avenue, Vancouver.

Wall & Redekop's Kingsway real estate sales office, located at 2443 Kingsway, Vancouver.

WALL & REDEKOP REALTY LTD.



Peter Redekop, President,
Wall & Redekop Realty

Wall & Redekop Realty Ltd., a wholly-owned subsidiary, experienced an active and highly profitable year, with gross revenues increasing by 135% over the previous year. Combined commercial and residential real estate sales increased 50% over the 1968 fiscal-year figure. Gross revenues rose to $1,344,648 from $579,803 in 1968 and the division contributed 10.5% of the corporation's gross revenue for the year.

Management's decision to place increasing emphasis on its services in the sales field had the immediate effect of opening three additional offices to service new market areas in Richmond, Surrey and North Vancouver, and to increase its sales force substantially, with present facilities permitting expansion to an anticipated 200 qualified sales representatives when trainees presently enrolled in the professional real estate course qualify in the next few months.

The activities of the division were highlighted by the sale by Robert Lee, Vice-President of Wall & Redekop Realty, of the large Princess Patricia and Lord and Lady Simcoe apartment complexes at a sale price of $2,750,000 and $4,250,000 respectively. It will be the Company's policy to continue its emphasis on expanding its real estate sales by opening new sales centres and training new sales personnel to increase the Company's services to the public. This is in line with management's view that earnings of the realty division will be a major factor in the Company's growth.

PROPERTY MANAGEMENT

The division's property management department experienced steady growth during the year.

This department now manages 50 apartment buildings containing 1,706 suites; two shopping centres; the Arts and Crafts Centre in Vancouver; and the Company's Head Office building. Significantly, the average vacancy rate of apartment suites under the property management department was less than 1%.

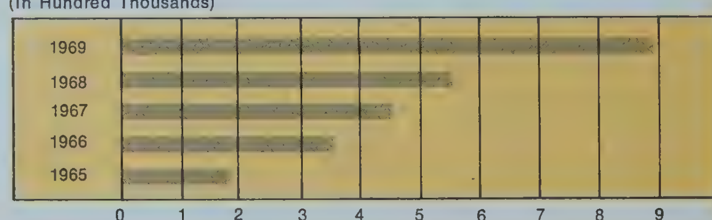
The property management division is responsible for the leasing and management of the Company's revenue-producing properties as well as managing an increasing number of client-owned properties on an agency basis.

The Company-owned properties at July 31 consisted of interests in 19 apartment buildings containing 997 suites in the Greater Vancouver area, most of them in choice high-density locations in the city of Vancouver. Construction costs of these properties was approximately $7,900,000, and they now have an estimated market value of $9,150,000, leaving an estimated appraisal surplus of $1,250,000 over cost.

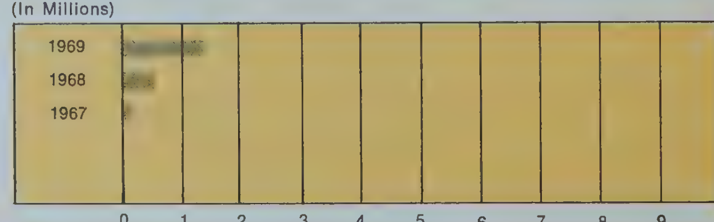
In the period of tight money and high interest rates, new and significant trends are emerging in the real estate sales field. There is a continuing demand for revenue-producing property with an increasing number of purchasers being foreign investors.

The Company is in the unique position of having

GROSS REVENUES—Rental
(In Hundred Thousands)



GROSS REVENUES—Real Estate
(In Millions)



extensive contacts in a large segment of this new market potential. An increase in sales of existing residential dwellings is also anticipated, as fewer new homes are under construction in areas served by the Company. This is due primarily to a shortage of building lots, high mortgage interest rates and increasing construction costs.

RENTAL INCOME

Rental income contributed 6.7% of gross revenue for the year, increasing to $888,000 from $550,000 in the previous 12-month period. The rental portfolio was increased by 343 suites between January 31 and July 31, when the total stood at 997. The effect of the additional suites was felt as rental income showed a 61% increase for the year and was up 40% for the second half of the year over the first six months. Management's policy will be to retain at least half of all new suites constructed by the Company, and these will be added to the portfolio during the year ahead and the impact of the increased units available for rental will bring substantial benefits in the revenue and earnings picture.

It will be management's policy to investigate new trends affecting any of its areas of activity and to place added emphasis in areas showing unusual or unprecedented growth. Any changes in monetary, fiscal or taxation policies will also be carefully analyzed to permit direction of the Company's real estate agency activities to achieve maximum growth and productivity in this field.

FARMING DIVISION

John Redekop, Farm Manager

Poultry farming gross revenues increased by 50% during the fiscal year, to $1,750,884 from $1,144,000 in 1968. This represented 13.3% of the Company's total revenues.

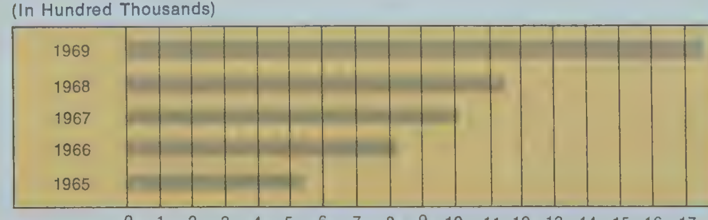
The Company's farming subsidiaries have 138 acres of prime farm land in the Clearbrook area of the Fraser Valley, about 45 miles east of Vancouver. The farms have 29 poultry barns, four houses and an office building and are staffed by 29 full-time and 10 part-time employees.

Considerable stabilization of prices on the egg market resulted from the creation in 1968 of the British Columbia Egg Marketing Board. The Company's subsidiaries hold egg production quotas totalling about 1,700 cases per week and a turkey quota of about 52,000 birds per year. They have about 130,000 laying hens in continuous production with an additional 90,000 pullets being raised as replacement stock. Eggs also are purchased from other suppliers.

All eggs are graded, packaged and marketed through Mt. Lehman Produce Ltd. No quota is applied to the packaging part of the operation and expansion is anticipated in this. At the same time, further stability of market and price is anticipated from the formation of a sales company, a joint venture of our Company and a major food wholesale-retail corporation.

GROSS REVENUES—Farm

(In Hundred Thousands)



Building supplies are loaded aboard a truck for delivery from Monroe Lumber, one of three lumber yards involved in contractor and retail sales of lumber and building materials. General Manager Douglas Hanzlick and Assistant Manager Eric Jantzen supervise.

Cabinet manufacturing is a growing business for Monocrest Kitchens, a division which is now producing 2,000 units per month from its assembly lines. Manager Ron Morris checks the production line.

The 65-suite Mistletoe Manor nearing completion at 1088 West 12th Avenue in Vancouver.

High-rise apartment building under construction in North Vancouver by Wall & Redekop. The 12-storey building is located at 125 Keith Road.

WALL & REDEKOP CORPORATION LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT JULY 31, 1969

(with comparative figures at January 31, 1969)

ASSETS

		July	January
Current:			
Accounts receivable—trade		$ 2,074,500	$ 1,155,467
—director		40,000	—
Agreements receivable		674,840	229,017
Inventory—Note 5		9,188,102	4,153,098
Prepaid expenses and deposits		57,022	9,706
		12,034,464	5,547,288
Amounts receivable on agreements for sale—Note 4		1,375,918	1,247,050
Sundry investments		—	9,461
Income producing properties, at cost	$7,389,600		
Less: Accumulated depreciation—Note 6	76,312		
		7,313,288	5,737,333
Fixed, at cost:			
Land	296,150		
Building	539,268		
Vehicles, machinery and equipment	342,331		
Office furniture and fixtures	120,172		
Leasehold improvements	11,359		
	1,309,280		
Less: Accumulated depreciation	299,483		
		1,009,797	716,475
Goodwill—Note 7		120,000	120,000
Financing expenses		112,334	—
		$21,965,801	$13,377,607

ON BEHALF OF THE BOARD:

Director

Director

LIABILITIES

	July	January
Current:		
Bank indebtedness—secured—Note 8	$ 2,167,394	$ 946,866
Accounts payable and accrued liabilities	2,775,359	1,461,169
Income taxes payable	770,478	422,632
Mortgage advances on construction in progress and agreements payable	3,419,607	1,782,326
	9,132,838	4,612,993
Long-term debt:		
Sinking fund debentures, 8%—Note 9	1,500,000	—
Mortgages on properties sold under agreements for sale—Note 9	722,353	959,304
Mortgages on income producing properties—Note 9	6,336,769	4,984,452
Deferred income taxes—Note 10	702,641	535,200
Shareholders' advances	8,795	678,051
Minority interest	51,648	74,622
	18,455,044	11,844,622

SHAREHOLDERS' EQUITY

	July	January
Share capital—Note 11	1,452,593	3,212
Retained earnings	2,058,164	1,529,773
	$21,965,801	$13,377,607

The notes to the consolidated financial statements are an integral part thereof.

WALL & REDEKOP CORPORATION LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF NET EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED JULY 31, 1969

(with comparative figures for the year ended July 31, 1968—Note 2)

Revenue:	1969	1968
Construction and land development—Note 12	$ 5,147,778	$ 6,591,693
Lumber and building products	4,054,312	3,464,748
Farming	1,750,884	1,143,548
Rental	887,524	550,444
Real estate agency	1,344,648	579,803
	13,185,146	12,330,236
Cost of sales and operating expenses	10,792,379	10,732,850
Operating profit before the following charges	2,392,767	1,597,386
Interest	417,233	316,841
Depreciation—Note 6	117,882	67,819
Management salaries	51,750	163,000
	586,865	547,660
Operating profit	1,805,902	1,049,726
Less: Minority interest	33,576	53,436
Earnings before income taxes	1,772,326	996,290
Income tax paid or payable	743,242	315,948
Income taxes deferred to future periods—Note 10	162,912	163,389
Total income taxes	906,154	479,337
Net earnings before special items	866,172	516,953
Special items—Note A	—	92,675
Net earnings for the year	866,172	609,628
Retained earnings—opening balance	1,191,992	476,080
Retained earnings of Sperling Lumber Ltd., Atlas Construction Co. Ltd., South West Lumber Ltd. and H. & M. Cabinets Ltd. at date of acquisition	—	106,284
Retained earnings—closing balance	$ 2,058,164	$ 1,191,992

NOTE A

Net earnings for 1968 include the following as special items net of income tax:

(i) The income tax saving resulting from the loss carry forward position in an acquired company.

(ii) The reduction in income taxes as a result of a tax free gain on sale of an income producing property in the hands of a subsidiary company.

The notes to the consolidated financial statements are an integral part thereof.

WALL & REDEKOP CORPORATION LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT JULY 31, 1969

NOTE 1—GENERAL INFORMATION

(i) Wall & Redekop Corporation Ltd. (the Company) is an amalgamated company under the British Columbia Companies Act. A Certificate of Amalgamation dated January 31, 1969 was issued pursuant to Section 178 of the British Columbia Companies Act, as a result of an amalgamation agreement dated January 24, 1969. The companies which amalgamated under the name of the Company are:

Atlas Construction Co. Ltd.
Sperling Lumber Ltd.
Monroe Lumber Co. Ltd.
H. & M. Cabinets Ltd.
Chester Securities Ltd.
Wall & Redekop Corporation Ltd.
(formerly Mavis Securities Ltd.)
South West Lumber Ltd.
Monocrest Kitchens Ltd.

The Company then acquired as of January 31, 1969 all of the outstanding shares of:

Wall & Redekop Realty Ltd.
Mt. Lehman Produce Ltd.
Mount Lehman Farms Ltd.
Redekop Bros. Farms Ltd.
Pinecrest Poultry Farms Limited

and an 80% interest in the partnership known as Redekop & Wall Apartments.

(ii) During May, 1969 the Company acquired all of the outstanding shares of:

Southland Development Ltd.
Cloverdale Lumber & Plywoods Ltd.

NOTE 2—BASIS OF CONSOLIDATION AND ACCOUNTING PRESENTATION

(a) The transactions referred to in Note 1(i) have been treated for accounting purposes as a pooling of interests and accordingly the consolidated statements of earnings and retained earnings include the accounts of the companies party to the amalgamation, the subsidiary companies, and the partnership. The earnings of South West Lumber Ltd., Sperling Lumber Ltd., H. & M. Cabinets Ltd. and Atlas Construction Co. Ltd. have been included only since the date of acquisition of those companies in 1968 by the principal shareholders of Wall & Redekop Corporation Ltd.

(b) The May acquisitions referred to in Note 1(ii) have been treated for accounting purposes as purchases and accordingly the earnings of these companies have been included only since the dates of acquisition.

(c) The companies included in the amalgamation and the subsidairy companies had different financial year-ends. The Company has adopted July 31 as its financial year-end and the accounts of the subsidiary companies and the partnership have been prepared as at that date.

(d) The consolidated financial statements reflect:

i) The adoption of the sinking fund method of depreciation for income producing properties, as described in Note 6;

ii) The elimination of material inter-company transactions;

iii) The adjustment of income taxes to take into account the above changes and the adoption of the tax allocation method of accounting for income taxes, as described in Note 10.

(e) The comparative balance sheet figures are as at the amalgamation date, January 31, 1969, which are the most meaningful available figures.

(f) The nature of the Company's business is such that a statement of source and application of funds is not meaningful and accordingly such a statement has not been prepared.

NOTE 3—CLIENTS' TRUST FUNDS

Not included in cash or liabilities are balances of $162,866 held in trust bank accounts for clients.

NOTE 4—AMOUNTS RECEIVABLE ON AGREEMENTS FOR SALE

These consist of balances due from sale of apartment buildings, which balances are secured by agreements for sale. The agreements bear interest at an average rate of 9½% and are for terms of 20 to 25 years.

NOTE 5—INVENTORY

Inventory at July 31, 1969 was valued at the lower of cost and net realizable value and consisted of:

Lumber and building products	$ 468,826
Livestock	420,719
Real estate held for resale or development	5,947,925
Construction in progress	2,350,632
	$9,188,102

It is the policy of the Company to include in the value of construction in progress interest on borrowed funds and related real estate taxes. Included in construction in progress is one development property, the Shannon Estate, which is owned by the partnership. It had been the policy of the partnership to expense interest on borrowed funds and related real estate taxes in the year incurred.

Effective August 1, 1968 the partnership adopted the uniform company policy of including these costs in inventory. The effect of this change by the partnership is not material.

NOTE 6—INCOME PRODUCING PROPERTIES

These properties are stated at cost. In the normal conduct of its business, the Company may purchase or receive in trade buildings constructed by the Company and sold in earlier

periods. As of July 31, 1969, income producing properties includes three properties with a carrying value of $837,000, on which profits had been taken on the original sales of approximately $55,000.

Depreciation was originally provided at various rates. Effective August 1, 1968, the Company has adopted the sinking fund method of depreciation under which an increasing amount, consisting of a fixed annual sum together with interest compounded at the rate of 5% per annum, is charged to earnings so as to fully depreciate the buildings over a forty year period.

Accumulated depreciation has been adjusted as if depreciation had been provided on this basis in prior years.

NOTE 7—GOODWILL

Effective November 1, 1968 a subsidiary, Wall & Redekop Realty Ltd., acquired all of the outstanding shares of Dexter Realty Ltd. for $130,000. All of the working capital of Dexter Realty Ltd. was distributed to the former shareholders. The $120,000 excess of the share purchase price over the remaining net book value of the Company represents the goodwill of the acquired business and sales personnel.

NOTE 8—BANK INDEBTEDNESS $2,167,394

The bank loans are secured by various combinations of the following:

i) General assignment of book debts.
ii) An assignment of the proceeds from certain mortgage loans.
iii) Assignment of inventory under Section 88 of the Bank Act.
iv) Assignment of title deeds to certain property.
v) The personal guarantees of certain directors.

NOTE 9—LONG-TERM DEBT AND MORTGAGE ADVANCES

Long-Term Debt:		Principal due within one year
Debentures		
8% Redeemable Sinking Fund debentures. Series A due April 14, 1987	$1,500,000	$
Mortgages payable on properties, sold under agreements for sale, bearing interest at an average rate of 9% and maturing at various dates from 1970 to 1994	722,353	57,000
1st and 2nd mortgages payable on income producing properties bearing interest at various rates from 6% to 14% and maturing at various dates from 1970 to 1995	6,336,769	376,000
Total	$8,559,122	$433,000

The principal payments due wtihin one year of $433,000 have not been classified as a current liabiilty since payments will be made out of rentals to be collected on the income producing properties and payments to be received on amounts receivable on agreements for sale.

The Company has covenanted to establish a sinking fund to retire principal amounts of Series A Debentures in each of the years 1975 to 1986 as follows:

i) 1975 - 1979 .... $50,000 per annum
ii) 1980 - 1986 .... $75,000 per annum

The debentures rank pari passu with each other and are secured by a floating charge on the Company's undertakings, property and assets subject only to specifically mortgaged properties, such floating charge to permit dealings in the ordinary course of business and bank borrowings secured by specific charges or other collateral.

Attached to the debentures are warrant coupons entitling the holders at any time after April 15, 1971 and up to March 15, 1979 to six share purchase warrants for each $100 principal amount of Series A Debenture. Each share purchase warrant entitles the bearer to purchase one common share of the company at the price of $6.00 per share from April 15, 1971 to April 14, 1974 and at $7.00 per share from April 15, 1974 to April 14, 1979.

NOTE 10—DEFERRED INCOME TAXES

Prior to August 1, 1968 the companies and the partnership followed the taxes payable method of accounting for income taxes and did not record deferred income taxes on the excess of income reported for financial statement purposes over taxable income. Effective August 1, 1968 the companies and the partnership changed to the tax allocation method of accounting for income taxes, as recommended by the Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants.

The comparative figures for the year ended July 31, 1968 have been restated to include deferred income taxes and retained earnings have been adjusted to reflect the accumulation of prior years' deferred taxes.

NOTE 11—SHARE CAPITAL

Common Shares

Authorized 3,000,000 shares without nominal or par value.

Issued and fully paid
1,831,340 shares $1,452,593

(a) The authorized capital was increased to 3,000,000 common shares on the approval of the shareholders and was approved by Registrar's certificate dated March 27, 1969.

(b) Pursuant to the amalgamation agreement the Company exchanged 659,900 common shares for all of the issued shares of the companies which amalgamated—see Note 1.

(c) Pursuant to agreements dated January 31, 1969 the Company issued 439,800 shares in exchange for all of the issued and outstanding share capital of the acquired companies and acquired an 80% interest in the partnership for 346,640 shares—see Note 1.

(d) Pursuant to an underwriting agreement dated March 31, 1969 the Company issued and sold 300,000 shares for a net cash consideration of $1,109,380.

(e) 30,000 shares were issued for $120,000 cash.
20,000 shares were issued for $80,000 under the share option plan—see Note 2(i).

(f) 35,000 shares were issued at $4.00 per share as partial consideration of the acquisition of Southland Development Ltd.

(g) The trust deed for the Debentures contains certain restrictions on the payment of dividends on the Common shares.

(h) 90,000 Common shares are reserved for the exercise of Share Purchase Warrants—see Note 9.

(i) 80,000 Common shares are reserved for options for full-time employees of the Company. These options, if granted, may be exercised at a price to be fixed with the consent of the appropriate regulatory body on the following schedule:

20,000	January 1, 1970 to December 31, 1971
20,000	January 1, 1971 to December 31, 1972
20,000	January 1, 1972 to December 31, 1973
20,000	January 1, 1973 to December 31, 1974

NOTE 12—SOUTHLAND DEVELOPMENT LTD.

As at the acquisition date Southland had unearned income of $236,000 on outstanding sales agreements receivable. The Company allocated the excess of the acquisition cost over the book value of the shares of Southland to:

i) Land inventory
ii) Unearned income

The Company has recognized the balance of the unearned income as income of the current period. The net effect on income after tax is to increase net earnings of the Company by $88,364.

NOTE 13—COMMITMENTS AND CONTINGENCIES

(a) The estimated additional costs to complete buildings under construction are $1,400,000, for which mortgage financing has been arranged.

(b) The Company is on the covenant of certain mortgages assumed by the purchasers of properties sold by the Company and its subsidiaries. It is considered unlikely that the Company will become directly liable in respect of any such covenants.

AUDITORS' REPORT

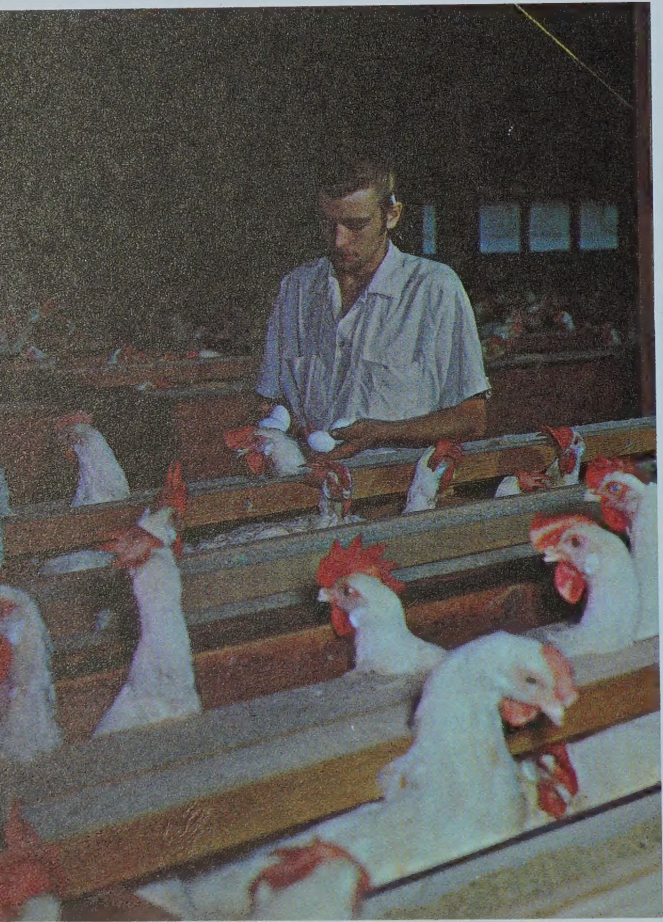
The Shareholders,
Wall & Redekop Corporation Ltd.

We have examined the consolidated balance sheet of Wall & Redekop Corporation Ltd. and subsidiaries as at July 31, 1969 and the consolidated statement of net earnings and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company and subsidiaries as at July 31, 1969 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except with reference to deferred income taxes as outlined in Note 10 to the financial statements with which we are in agreement.

Touche Ross & Co.
Chartered Accountants.

Vancouver, B.C.,
September 29, 1969.



TOP: The Highbury apartment block, another Wall & Redekop development. This 106-suite development is at 3755 West Sixth Avenue, Vancouver. LOWER LEFT: Egg production in one of 29 poultry barns owned by Wall & Redekop. The Company's farming subsidiaries have 138 acres of prime farm land in the Clearbrook area of the Fraser Valley. LOWER RIGHT: Packaging on the egg production line. About 130,000 hens are in continuous production at the farm subsidiaries.